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September 25, 2000

DOCKET NO. 80-286 ORIGINAL

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Ms. Salas:

**RE: In the Matter of Jurisdictional Separations Reform and Referral to the
Federal-State Joint Board. CC Docket No. 80-286**

Enclosed please find an original and four (4) copies of the Comments of SBC Communications Inc. in the above referenced docket.

Thank you for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "P. Dorin", is written over the typed name.

PAUL DORIN
Senior Counsel
FCC/External Affairs

original

Enclosure

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SEP 25 2000

**Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

In the Matter of

Jurisdictional Separations Reform
And Referral to the Federal-State
Joint Board

CC Docket No. 80-286

COMMENTS OF SBC COMMUNICATIONS INC.

SBC COMMUNICATIONS INC.

Paul E. Dorin
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Its Attorneys

September 25, 2000

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)	
)	
Jurisdictional Separations Reform)	CC Docket No. 80-286
And Referral to the Federal-State)	
Joint Board)	
)	

COMMENTS OF SBC COMMUNICATIONS INC.

SBC Communications Inc. (SBC) files these comments on its behalf and on behalf of its affiliated companies.

SBC generally supports the *Recommended Decision* dated July 21, 2000, issued by the Federal-State Joint Board on Jurisdictional Separations (Joint Board). SBC agrees with the Joint Board that a freeze of the Part 36 category relationships and jurisdictional allocation factors for price cap carriers is appropriate.¹ Any freeze implemented by the Commission, however, must be mandatory and applicable to all price cap carriers.

1. Data To Be Used During The Freeze.

The Joint Board recommends that a freeze be implemented based on carriers' data from the twelve months prior to the Commission's issuance of an order on the *Recommended Decision*. SBC suggests that it is more feasible and reasonable to implement a freeze based on calendar-year data. First, while SBC performs monthly separations studies, many companies only perform calendar-year separations studies and aggregating data for a different twelve-month period would be an additional burden that

¹ "Freezing" category relationships means that the same category distribution percentages for each account in the base year of the freeze would apply to future account balances. Freezing jurisdictional allocation factors means that the same jurisdictional cost allocation percentages used in the base year of the freeze would be used for future jurisdictional cost allocations.

would not produce any benefit to the separations process. Second, price-cap carriers generally report ARMIS data to the Commission on a calendar-year basis and thus have calendar-year data readily available. Finally, adopting a freeze based on carriers' data from the calendar year would allow for easier tracking of frozen (base year) data and succeeding years' data for those price cap companies reporting on ARMIS. For all of these reasons, use of calendar-year data would be more consistent with the Commission's overall goal of simplifying the separations process.

SBC suggests that, given the timing of this proceeding, the Commission direct price cap carriers to use data from Calendar Year 2000 during the freeze. Calendar Year 2000 is almost complete and would represent the most current calendar-year data available. In addition, use of data from Calendar Year 2000 would provide for a simple and reasonable transition to the freeze.

2. Commission Review Of The Separations Process During The Freeze.

The Joint Board recommends that during the freeze the Commission review certain aspects of the separations process with an assumed need to reform it. Specifically, the Joint Board recommends that the Commission review the following issues: digital subscriber line, unbundled network elements, private lines, and Internet usage.

While SBC does not disagree with this further review, SBC does believe that the first step in any further comprehensive review during a freeze should be to evaluate whether separations should be eliminated altogether, as suggested by the Joint Board in paragraph 27 of the *Recommended Decision*. SBC agrees with the Joint Board's assessment that separations prevents recovery of the same costs in both the interstate and intrastate jurisdiction, however SBC cautions the Commission not to lose the forest for the trees. As the Commission well knows, the separations process does not provide any

real benefit to consumers. Separations does not provide the consumer with more or better service. Separations does not encourage the advancement of technology applications to telecommunications. Moreover, for price cap carriers separations (in most cases) does not affect the pricing of services to consumers. Therefore, SBC respectfully submits that any further comprehensive review of the separations process by the Commission should first consider what, if any, meaningful results would be achieved by separations reform and whether the elimination of separations is more appropriate.²

Finally, SBC respectfully reminds the Commission that any reform imposed by the Commission will only be effective if it actually *simplifies* the separations process. The Joint Board wisely quotes the Supreme Court that in separations "extreme nicety is not required" and "only reasonable measures [are] required." SBC wholeheartedly agrees. Any reform the Commission undertakes should further the goal of simplification, not re-regulation.

3. Recommended Categories/Subcategories To Freeze.

SBC generally agrees with the categories and subcategories identified in Appendix A of the *Recommended Decision*, with a few exceptions. First, there are more separations categories defined in Part 36 relating to customer service expenses than are listed in Appendix A as part of Account 6623-Customer Services. Accordingly, Account 6623-Customer Services as stated in Appendix A of the *Recommended Decision* should instead be labeled "Account 6620-Customer Services" and the following additional categories listed before Category 1-Local Business Office Expense (references are to applicable sections of the Part 36 rules):

² In the event the Commission chooses not to eliminate separations, elimination should nevertheless be considered as the long-term objective of any separations reform. That is, any proposed reform should be crafted ultimately to simplify the transition to complete elimination of separations at a future date.

Telephone operator expenses.....	§36.374
Published directory listing.....	§36.375
▪ Classified directory expense.....	§36.375(b)(1)
▪ TWX directory expense.....	§36.375(b)(2)
▪ Alphabetical and street address director expense.....	§36.375 (b)(3)
▪ Foreign directory expense.....	§36.375(b)(4)

These additional items should be included in the list of frozen categories in order to include all of the categories identified in the Commission's Part 36 rules.

Second, the allocation factors for Account 6540 need not be frozen because information on the jurisdictional nature of the expenses therein is directly available from accounting records. The allocation of Account 6540 is specified in § 36.354 as "directly assigned to the appropriate jurisdiction based on subsidiary record categories or on analysis and study." This account is primarily comprised of payments each company makes to the federal universal service fund and, in many cases, includes the expenses paid for applicable state universal service funds and possibly reciprocal compensation payments. Because the jurisdictional nature of these costs is generally known from accounting data—and thus no burdensome separations analysis is required to make a jurisdictional assignment of this data—it would make sense to continue the "direct assignment" of these expenses.

Likewise, the identification and categorization of equal access costs is generally available from underlying accounting records. Although equal access costs are not

reported separately in ARMIS, for the same reason as stated above the direct identification of these costs should also be continued.³

4. Monitoring and Data Reporting.

The *Recommended Decision* suggests that the Commission seek comment of the impact of the freeze in two years. At the same time it notes that "the freeze will eliminate the need for many separations studies during this five year period." Similarly, the *Recommended Decision* recommends in paragraph 31 that the Commission "no longer require price cap carriers to conduct certain separations studies to assign costs to the Part 36 categories and neither price cap nor rate-of-return carriers [should be required] to calculate updated jurisdictional allocation factors."

SBC supports the elimination of separations studies. Such elimination will remove a regulatory burden and, consistent with the Commission's goals, simplify the separations process. While SBC will continue to provide required ARMIS data, it respectfully notes that a freeze of separations studies will make it more difficult—if not impossible—to provide specific, quantified data on the impact of the freeze. SBC will clearly be able, however, to provide general, non-quantitative data on the impact of the freeze if requested by the Commission.

5. Adjustments During The Freeze.

SBC agrees with the Joint Board that adjustments to frozen category relationships and factors should be permitted only in those cases involving the transfer of exchanges, and SBC agrees with the methods described by the Joint Board to make such

³ Consistent with SBC's position as stated in Section 2 of these Comments, the elimination of equal access costs should clearly be an item pursued by the Joint Board and the Commission in their comprehensive review of the separations process.

adjustments. SBC also agrees that the waiver process is appropriate to provide carriers a mechanism for relief when special circumstances warrant deviation from the freeze.

6. Internet Data.

SBC provides in Exhibit A to these Comments data on Internet usage as measured in Arkansas, Kansas, California, Missouri, Oklahoma, Texas and Nevada. Exhibit B to these Comments contains data associated with SBC's operations in Illinois, Indiana, Michigan, Ohio and Wisconsin.⁴

Because Internet traffic is jurisdictionally interstate, it should be treated as such in the separations process.

7. Conclusion.

The Commission should implement a freeze of Part 36 category relationships and jurisdictional allocation factors as recommended by the Joint Board, subject to the comments contained herein, including the following: *First*, any freeze should be based on data from Calendar Year 2000 for price cap companies. *Second*, during the freeze the Commission should consider eliminating separations altogether; at a minimum, any reform contemplated by the Commission should *simplify* the separations process with the aim of eliminating the process in the future. *Third*, the categories to be frozen as specified in Appendix A of the *Recommended Decision* should be modified to include certain categories omitted from Part 36 (as listed in Section 3 of these Comments). *Finally*, Internet-related usage should be considered interstate in nature for separations purposes.

SBC looks forward to working with the Joint Board and the Commission in the further evaluation and simplification of the separations process.

⁴ Data in Exhibit B is annualized based on all identifiable Internet traffic over a one-month period. Data in Exhibit A is based on all identifiable Internet traffic originated by SBC and delivered to an ISP by another local exchange carrier over a 12-month period; therefore, it excludes situations in which SBC originates Internet traffic and delivers it directly to an ISP.

SBC looks forward to working with the Joint Board and the Commission in the further evaluation and simplification of the separations process.

Respectfully Submitted

SBC COMMUNICATIONS INC.

By: Paul E. Dorin

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September 25, 2000

EXHIBIT A

1998 INTERNET USAGE DATA

Dial Equipment Minutes (000)

STATE	ISP Min	Local	ST-ER/RA	Is-ER/RA	Total
Arkansas	291,268	15,877,123	3,286,571	3,272,359	22,436,053
Kansas	21,886	23,324,701	2,620,406	4,680,114	30,625,221
Missouri	919,309	48,640,178	3,968,400	8,272,080	60,880,658
Oklahoma	1,150,116	29,594,157	3,496,603	5,172,884	38,263,644
Texas	6,225,599	194,810,712	17,386,739	25,580,427	237,777,878
California	14,439,228	231,288,915	73,889,846	37,747,589	342,926,350
Nevada	164,717	5,694,838	544,978	1,008,361	7,248,177

1999 INTERNET USAGE DATA

Dial Equipment Minutes (000)

STATE	ISP Min	Local	ST-ER/RA	Is-ER/RA	Total
Arkansas	544,078	19,039,152	3,160,857	3,574,245	25,774,255
Kansas	689,084	26,891,966	2,701,145	4,878,765	34,471,876
Missouri	2,755,278	54,070,084	4,405,680	8,683,605	67,159,369
Oklahoma	2,796,569	34,645,364	3,160,220	5,909,454	43,715,038
Texas	15,720,398	217,289,741	17,122,297	26,433,074	260,845,112
California	33,389,446	262,092,144	78,652,174	40,502,882	381,247,199
Nevada	294,763	6,418,385	727,563	996,137	8,142,085

EXHIBIT B

1997 INTERNET USAGE DATA Dial Equipment Minutes (000)

<u>STATE</u>	<u>ISP Min</u>	<u>Local</u>	<u>ST-ER/RA</u>	<u>Is-ER/RA</u>	<u>Total</u>
INDIANA	2,146,659	36,551,181	3,978,369	6,279,197	40,529,556
ILLINOIS	8,113,142	99,532,013	9,191,434	20,316,906	108,723,452
MICHIGAN	8,043,923	75,234,723	16,984,025	12,177,884	92,218,753
OHIO	5,713,051	72,016,831	8,449,350	10,645,830	80,466,187
WISCONSIN	3,210,459	32,234,386	4,669,098	5,691,588	36,903,490

1998 INTERNET USAGE DATA Dial Equipment Minutes (000)

<u>STATE</u>	<u>ISP Min</u>	<u>Local</u>	<u>ST-ER/RA</u>	<u>Is-ER/RA</u>	<u>Total</u>
INDIANA	6,320,072	39,698,588	4,236,105	6,706,804	43,934,699
ILLINOIS	17,599,607	104,287,547	10,424,752	21,957,491	114,712,305
MICHIGAN	14,299,234	6,186,745	19,863,287	12,774,150	96,050,038
OHIO	12,779,065	74,099,371	9,062,233	11,262,426	83,161,610
WISCONSIN	6,610,982	34,692,311	4,931,875	5,923,715	39,624,192

1999 INTERNET USAGE DATA Dial Equipment Minutes (000)

<u>STATE</u>	<u>ISP Min</u>	<u>Local</u>	<u>ST-ER/RA</u>	<u>Is-ER/RA</u>	<u>Total</u>
INDIANA	13,432,391	44,036,747	4,500,517	7,116,446	48,537,270
ILLINOIS	34,563,928	112,155,375	11,079,312	23,176,453	123,234,693
MICHIGAN	27,621,595	81,815,131	21,588,570	13,811,263	103,403,706
OHIO	26,127,626	80,232,051	9,899,903	11,791,112	90,131,960
WISCONSIN	13,028,847	37,286,833	5,114,937	6,114,164	42,401,776

CERTIFICATE OF SERVICE

I, Loretia Hill, do hereby certify that on this 25th day of September, 2000, a copy of the foregoing "Comments" was served by U.S. first class mail, postage paid, to the parties listed on the attached sheets.

A handwritten signature in black ink, appearing to read "Loretia Hill", is written over a horizontal line.

Loretia Hill

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